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CHARITY WORKERS' JOB-MARKET JITTERS

Some big non-profits are forced to cut their staffs, and experts warn the picture may get worse; demand for fund raisers stays high

By JENNIFER MOORE

ECONOMIC TROUBLES have forced many non-profit organizations, including the American Red Cross, the Muscular Dystrophy Association, and several other big charities, to lay off workers or institute hiring freezes.

Just this month, the Red Cross announced the elimination of 204 positions from its national staff of 1,000. "Unfortunately, we at the Red Cross are caught in the grip of the same economic woes that besiege the rest of the country," says the charity's president, Elizabeth Dole.

While many smaller organizations have been able to keep staff layoffs to a minimum or avoid them altogether, some experts fear that the worst is yet to come, especially at organizations that depend on state money, on corporate grants, or on money raised from United Way drives.

ROBERT KELLER, FOR THE CHRONICLE

Wendy Ring, who was laid off and then rehired by New Way In, a struggling Michigan charity: "If New Way In is truly going under, then I want to be around for the swan song." See story on Page 28.

The precarious economic situation has made some non-profit workers extremely anxious. Job counselors are warning charity employees that it may take them at least six months to find a new position. Competition for jobs is stiff, not only because of the layoffs at non-profits but also because many people who have lost their jobs at for-profit companies are seeking positions at charities.

Not surprisingly, the troubled economy has produced more demands for one type of non-profit professional: fund raisers. They are being hired by an increasing number of organizations that want to expand their ability to get private money. (See story on Page 30.)

While most non-profits usually start by laying off members of their administrative and support staffs, a few organizations have had to let go people who provide direct services. Others are dealing with hard times by relying more on consultants and part-time and temporary employees, who don't have to be paid benefits and be provided with office space or clerical help.

Shows Seriousness of Financial Problems

The growing number of groups that have had to lay off staff members shows just how serious the financial situation is for many non-profits, says Beverley McDonald, executive director of the Michigan League for Human Services. "It's an indicator," she says. "Non-profit people historically have not been paid a lot, so it's easier for them to survive a recession."

Barbara Green, executive director of the National Council of Nonprofit Associations in Washington, says she has received a surprising number of unsolicited résumés from people with impressive back-

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Help for Elderly Women
Groups like the one above meet throughout Philadelphia, giving elderly women a chance to talk about their needs, fears, and memories. Story on Page 6.

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Many of the largest local United Ways are still withholding dues from United Way of America, pushing the organization to the brink of financial collapse. Story on Page 25.

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31 San Francisco's United Way has cut aid to local Boy Scout councils because of the Scouts' ban on homosexuals.

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24 The Black United Fund of New York won't manage the federal employees' fund-raising drive in the city this year.

24 A cookbook is raising money for a Chicago children's charity; a "gelatin jump" brings in donations for a health group (Ideas).

30 While the market for jobs at charities appears to be getting tighter, demand for fund raisers remains high.

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Corrections

▶ A chart on compensation for non-profit executives (March 24) contained an incorrect amount for the benefits paid to Pablo Eisenberg, president of the Center for Community Change in Washington. Mr. Eisenberg received $17,891 in benefits in 1991.

▶ A chart on 1991 fund-raising results at 58 private colleges (February 11) incorrectly identified one institution. The figures listed for Holy Cross College in Indiana were the figures for College of the Holy Cross in Worcester, Mass.

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State Registration Requirements for Charities and Fund Raisers

	For charitable organizations	For paid solicitors	For fund-raising counsel
Alabama	Registration requested (not required by law).	Registration requested (not required by law).	Registration requested (not required by law).
Alaska	None.	None.	None.
Arizona	Annual registration.	None.	None.
Arkansas	Annual registration.	$100 registration and $10,000 bond. $10 registration for individuals employed by a paid solicitor.	$100 registration and $10,000 bond. No registration for counsel working with churches and other religious organizations.
California	Initial registration for organizations located or doing business in the state. Over 200 cities and counties have solicitation ordinances that may require registration.	Annual registration with $200 fee for commercial fund raisers who receive and control funds. $25,000 bond.	None.
Colorado	File solicitation notice prior to campaign. $62.50 fee.	None.	None.
Connecticut	Initial registration. $20 fee.	$100 registration fee and $20,000 bond. Must file a copy of contracts with charitable organizations.	No registration or bond for counsel not having custody of funds. Counsel must file a copy of contracts with charitable organizations.
Delaware	None.	None.	None.
District of Columbia	Licensing is $80 per year.	None.	None.
Florida[1]	Annual registration. Fees range from $50 to $100 based on receipts. No fee if proceeds are less than $5,000.	Registration. $200 fee and $50,000 bond.	Registration. $200 fee. No bond.
Georgia	Registration. $25 fee.	Registration. $250 fee and $10,000 bond. File solicitation notice prior to campaign.	None. If counsel has custody of funds, register as paid solicitor.
Hawaii	Annual registration. $10 fee.	$50 registration and $5,000 bond.	$50 registration and $5,000 bond.
Idaho	None.	None.	None.
Illinois[1]	Initial registration.	Registration and $10,000 bond.	Registration every two years.
Indiana	Organizations located in the state must register with the Department of Revenue, Not-for-Profit Division.	$50 registration. Notice filing due prior to campaigns.	$50 registration. Notice filing due prior to campaigns.
Iowa	None.	Registration permit for professional fund raisers. $10 fee.	None.
Kansas	Annual registration. $20 fee.	Registration. $5,000 bond.	Registration. $5,000 bond.
Kentucky	Registration annually by filing IRS Form 990.	Registration.	Registration.
Louisiana	Registration prior to campaigns for organizations using professional solicitors or fund-raising counsel.	None.	None.
Maine	Initial registration, $25 fee. State will issue renewal notice.	$100 registration fee and $10,000 bond. Registration and bond required for commercial co-venturers.	$100 registration fee and $10,000 bond.
Maryland	Annual registration fees. $50-$200 fee, depending on proceeds. No fee if proceeds are less than $25,000 and no fund raiser is used.	$200 registration and $25,000 bond.	$100 registration fee. No bond.
Massachusetts	Annual registration fee, $25 fee. Additional $10 for solicitation certificate.	$10 registration fee and $10,000 bond. Registration and bond required for commercial co-venturers.	$10 registration fee. No bond.
Michigan	Annual licensing.	Licensing and $10,000 bond.	Licensing and $10,000 bond.
Minnesota	$25 annual registration. No fee for organizations raising or spending less than $25,000.	$200 registration fee and $20,000 bond if fund raiser has custody of funds.	$200 registration fee. No bond.
Mississippi[2]	$50 annual registration.	Registration and $25,000 bond.	Registration and $25,000 bond.
Missouri	$15 annual registration. 501(c)(3) organizations are exempt from registration.	$50 registration.	None.
Montana	None.	None.	None.
Nebraska	For out-of-state charities certificate granted upon filing of articles of incorporation and by-laws with Secretary of State, $1 fee.	None.	None.
Nevada	No fund-raising registration. Foreign non-profit corporations must qualify before doing business in Nevada.	None.	None.
New Hampshire	$25 one-time registration.	$75 registration and $10,000 bond.	$75 registration and $10,000 bond.

Fund Raisers' Society Expected to Restore Ban on Commissions

The National Society of Fund Raising Executives is moving to restore to its code of ethics a ban that prohibits the organization's members from accepting commissions.

The group's ethics committee has recommended that the NSFRE restore the prohibition, after widespread criticism from members who disagreed with the decision to drop the ban in 1989.

The prohibition was deleted from the code in large part because the society's lawyers said they were afraid the ban might be considered a violation of federal antitrust laws. The lawyers said they feared the society could be sued by members who would charge the ban on commissions was a restraint of free trade.

The society is reconsidering its position because rulings by the Federal Trade Commission over the last two years "have made us believe we were not as exposed as we thought," said Patricia F. Lewis, the group's president. "Our position has always been that we don't support percentage-based compensation. We never really moved from our position; we just removed it from the code."

The ban against commissions must still win approval from the organization's board and its national assembly, a 200-member body that oversees the society's activities.

Sources said they expected that the prohibition would be approved.

"I've spoken to many chapters, and my read of the membership is that they never understood why it was removed in the first place and they expected to see it restored," said Henry Goldstein, chair of the ethics committee and president of the Oram Group in New York. "It's the right thing to do."

Controversial Decision

Dropping the ban on commissions was extremely controversial. Many members of the society said they feared that if the practice of accepting commissions, instead of flat fees, became more widespread, donors might become more hesitant to give to charity. People would not want to give if they knew a percentage of their contribution would go to a professional fund raiser, those critics said. Others said that fund raisers who accepted commissions would be tempted to pursue large donations in short periods of time instead of concentrating on the charity's well-being, which, they argued, depends on cultivating donors' support and involvement over the long run.

On the other hand, opponents of the ban noted that new and struggling non-profits often express concern that they don't have the means to pay professional fund-raising consultants' fees. They sometimes offer fund raisers a percentage of the proceeds because they see that as the only way to pay for sorely needed fund-raising programs.

"But this is not necessarily a reason to change your code of ethics," said Ms. Lewis. "We try to offer assistance to new organizations, providing them with technical and other assistance that will help them develop their fund raising."

The NSFRE, she noted, has two special programs to provide new and struggling non-profits with *pro bono* or low-cost assistance from experienced fund raisers.

—HOLLY HALL

Direct-Mail Fund Raisers' Group Toughens Rules on Lists of Donors

The Association of Direct Response Fundraising Counsel is taking steps to crack down on direct-mail consultants who take unfair advantage of their non-profit clients.

The organization has added new standards to its ethics code in an attempt to ease concerns among policy makers and non-profits that some consultants exert too much control over the charities they work with.

The new standards, which were added to the organization's Rules of Business Ethics and Practice, stipulate that the group's members must abide by the principles that:

► Non-profits, not their fund-raising consultants, own direct-mail lists of donors and therefore have the ultimate say over how often and in what manner their lists may be used to raise money.

► A non-profit should be told of a consultant's plans to rent or exchange the charity's list and should be given the opportunity to approve or reject such plans. If a consultant rents a charity's list to another group, the charity that owns the list should be allowed to examine the direct-mail appeals that will be sent to its donors.

► The amount a consultant will earn from renting a client's list to other organizations should be clearly specified in its contract with the non-profit. That contract must be drawn up before a direct-mail campaign is started.

► Consultants must make a non-profit client aware in writing of the "marketplace value" of its list—the money it could generate if it were rented to other mailers.

► A consultant's right to any of the proceeds from renting a non-profit's donor list ends when the consultant-client relationship is concluded.

► Consultants should make efforts to insure that non-profits give donors the opportunity to withdraw their names and addresses when the donor list is exchanged or rented by other mailers.

Some members of the direct-mail organization expressed concern over the requirement that they

	For charitable organizations	For paid solicitors	For fund-raising counsel
New Jersey	$5 initial registration.	$50 registration and $10,000 bond. $10 registration for people working for paid solicitor.	$50 registration and $10,000 bond.
New Mexico	Annual registration.	None. Some municipalities have bonding requirements.	None.
New York	$25 initial registration. Not-for-profit corporations and others holding or administering property for charitable purposes in the state must register with the New York Charities Bureau of the Attorney General's Office.	$800 registration fee and $10,000 bond. $80 registration fee for individual professional solicitors.	$800 registration fee. No bond.
North Carolina	$25 to $100 annual registration fee based on receipts.	$100 licensing fee and $20,000 bond.	$100 licensing fee and $20,000 bond if counsel has custody of funds.
North Dakota	$10 annual registration fee.	$100 registration fee.	$100 registration fee.
Ohio	Annual registration for out-of-state charities and Ohio organizations not already registered under the state's Trust Act. $50 to $200 fee, depending on amount of contributions raised in state.	$200 registration. $25,000 bond.	No registration. Only counsel with custody of funds must register. $200 fee and $25,000 bond.
Oklahoma	$15 annual registration fee.	$50 registration fee and $2,500 bond.	None.
Oregon[1]	Initial registration.	$250 registration fee.	$250 registration fee for counsel who advise on direct mail, have access to contributions, or have authority to pay expenses.
Pennsylvania	Annual registration. $15 to $100 depending on revenues.	$100 registration fee and $25,000 bond.	$100 registration fee. No bond.
Rhode Island	$75 annual registration fee.	$100 registration fee and $10,000 bond.	$100 registration fee and $10,000 bond.
South Carolina	$50 annual registration fee.	$50 registration fee and $5,000 bond.	$50 registration fee and $5,000 bond.
South Dakota	None.	Telephone solicitors must register, file $10,000 or $20,000 bond, depending on type of services provided. Financial report due 90 days after campaign.	None.
Tennessee	$50 initial annual registration fee; thereafter fees range from $50 to $200.	$1,000 registration fee and $10,000 bond.	$1,000 registration fee and $10,000 bond.
Texas	One-time $7 registration fee for persons soliciting for non-governmental "law-enforcement organizations" only.	One-time registration for solicitors of non-governmental "law-enforcement organizations" only. No bond.	None.
Utah	Annual registration and permit, $0 to $100 fee, depending on receipts in state.	$150 registration fee and $10,000 bond.	None.
Vermont	None.	Notice of solicitation must be filed with Attorney General at least 10 days prior to campaign. $20,000 bond.	None.
Virginia	Annual registration, $30 to $325 fee based on previous year's receipts. Initial registration may require $100 surcharge.	$500 registration fee and $20,000 bond. $250 late filing fee.	$100 registration fee. No bond.
Washington	$10 annual registration fee.	$50 registration fee and $15,000 bond for all "independent fund raisers." Bond reduced to $5,000 after first year if fund raiser qualifies with two of the following: does not handle funds, does not incur expenses on behalf of charity, is not compensated on percentage basis. Bond waived after first year if fund raiser meets all three conditions.	$50 registration fee. Must file bond if counsel handles funds, incurs expenses on behalf of the charity, or is compensated on a percentage basis.
West Virginia	Annual registration fee of $15 to $50 depending on receipts.	$50 registration fee and $10,000 bond.	$50 registration fee and $10,000 bond.
Wisconsin	$10 initial registration fee.	$50 registration fee and $5,000 bond. Individual solicitors must register, $10 fee.	$50 registration fee and $5,000 bond.
Wyoming	None.	None.	None.

[1] Statute took effect on January 1, 1992. [2] Registration new as of July 1991. [3] New statute become effective in September 1991.

Note: Data are accurate as of January 1. Updated information on state legislation is available from Legislative Monitor, a service of the American Association of Fund Raising Counsel. This is a partial chart reprinted from "Giving USA Update," published by the AAFRC Trust for Philanthropy. Complete details, including regulatory agencies, reporting dates and requirements, exemptions, solicitation disclosures required of charitable organizations, and a glossary, are available for $10 from the trust at 25 West 43rd Street, New York 10036.

SOURCE: AAFRC Trust for Philanthropy

disclose the marketplace value of lists to clients. They said that direct-mail experts don't agree about how to calculate the value of donor lists and that it could be difficult or impossible to assign values to lists that have not been rented or exchanged before.

"The reality is that, while it is difficult to pinpoint the precise value of any particular donor list, there are indicators to help determine value," said Mal Warwick, vice-chair of the association and chairman of Mal Warwick & Associates in Berkeley, Cal. "Within limits, we can give some idea of whether a list is valuable and what that value might be."

The association, which represents 40 consulting firms that handle direct-mail campaigns for nonprofits, has been working on the new rules for about two years. The effort began after the press, state attorneys general, and federal postal officials accused some groups of direct-mail abuses and suggested that new regulations might be needed. —HOLLY HALL

■

Following is the text of the new standards:

The acquired donor list is the essential product of a direct-response campaign. Its primary value for the non-profit client lies in future fund raising from donors who are now identified and have a relationship with the organization. The donor list has secondary, but considerable, value due to its potential as a commodity in the direct-response marketplace.

The economic justification for direct-response fund raising rests on the future management and control of this resource by the non-profit organization. As an ethical principle, it follows that the donor list is inherently the property of the non-profit. At the same time, we recognize that the list resource can afford the means by which a non-profit, especially a new or under-capitalized organization, can sustain a fund-raising program.

A non-profit organization is free to dispose of its list resource—like any other property—in any manner it chooses. But the fiduciary relationship of client and fund-raising counsel creates a special case. The association firmly believes that voluntary restraints upon dispositions of list rights to counsel are essential. These and other measures can only serve to protect the security and integrity of the donor list. Therefore:

A. A member may not acquire any right or interest from its client that precludes the non-profit client's right to conduct fund raising with its donor file when and as it sees fit.

B. All income or financial benefit derived from the donor list's marketplace value must go to the non-profit client unless the following conditions are met:

(i) An allocation to counsel, as part of payment of fees for services rendered, is clearly specified in the contract.

(ii) Before entering into the contract, counsel must provide the non-profit client with a written, full, and fair disclosure of the marketplace value of donor lists.

(iii) Any right of a member to income or financial benefit from the donor list (except for new names acquired during the member's tenure as counsel) must be terminated with the end, for any reason, of the member's services as counsel.

C. Notwithstanding the above, a member may retain a contingent security interest in a donor list's marketplace applications, provided:

(i) The interest is fully and clearly set out in the contract; and

(ii) The interest applies solely to the satisfaction of earned and overdue fees of certain amount and attendant direct expenses as set out in the client-counsel contract.

D. To protect the security and integrity of the donor list, a member firm shall use its best efforts to assure that:

(i) The non-profit client has the right to veto list rentals or exchanges to mailers that it deems competitive or damaging to its fund-raising interests. Included is the right to examine proposed mail packages or scripts.

(ii) The donor file is protected by a "decoy" or "seed" system, monitored by the non-profit client, designed to track every transaction involving the donor file.

(iii) A regularly updated, duplicate copy ("fire file") of the donor file, readily accessible and obtainable by the non-profit client, is maintained.

(iv) The non-profit client regularly (ordinarily, at least once a year) informs its donors of the marketplace use of the donor file and affords them a reasonable opportunity to withdraw their names from such uses.

Interest Rates for Planned Gifts

Following are the interest rates, provided by the Internal Revenue Service, for computing charitable deductions for charitable remainder trusts, gift annuities, charitable lead trusts, and some other deferred gifts.

May 1991	9.6%
June	9.6
July	9.6
August	9.8
September	9.6
October	9.0
November	8.6
December	8.6
January 1992	8.2
February	7.6
March	8.0
April	8.4

SOURCE: PG Calc Inc.

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OPINION

Commentary and Letters

No Ulterior Motive for Japanese Philanthropy

By DELWIN A. ROY

In 1986, while attending a luncheon at the annual meeting of Independent Sector, I sat next to the president of one of the largest private foundations in the United States. As the head of a new foundation supported by a Japanese company, I asked him what he thought about the advent of Japanese philanthropy in the United States. He said belligerently: "I know what they're up to. They will learn the way we do it, get it right—and then do it better than anyone else."

Since that conversation, I've heard numerous detractors of Japanese giving practices in the United States and other self-appointed "rainmakers" line up in that curious American mixture that alternately seems to demand "more" from Japan and note the nefarious means by which "more"—when it comes—is used to suborn the American mind and leadership to serve Japan's public-relations aims. Consultants, public-relations firms, and pundits—most of whom are ill-informed and have little knowledge of Japan—nevertheless have predicted that by the end of the century, total Japanese corporate philanthropy will exceed that of American businesses. The rainmakers amiably coexist with the detractors, the major message of the latter being: "America's soul is being bought with tax-free dollars."

MY VIEW

The implication that philanthropy from Japan can only be for insidious purposes by virtue of being of Japanese origin is clearly unwarranted.

Nowhere is this seeming contradiction more apparent than in two recent events: the "timely" issuing of a report, on the day before the 50th anniversary of Pearl Harbor, by the Center for Public Integrity (a think tank supported mostly by American broadcasting companies) entitled "Buying the American Mind: Japan's Quest for U.S. Ideas in Science, Economic Policy, and the Schools," and the seminar series "Japan at the American Grassroots," sponsored by the newsletter *Corporate Philanthropy Report*.

Noting that in the past five years, Japanese charitable contributions in the amount of $175-million have gone to America's colleges and universities, the Center for Public Integrity report warned: "The Japanese clearly are willing to spend sizable sums for . . . [the] acquisition of the American mind." The report failed to note that in the same period, American corporations contributed an estimated $7.9-billion to higher education, much of it for proprietary research, and that Japan's "quest" represents a mere 2 per cent of total corporate contributions to this sector between 1986-1990. Of the $7.9-billion that U.S. corporations channeled to higher education, 25 per cent, or $2.1-billion, went to research. Even if all of the reported $175-million in Japanese support provided to American colleges and universities went to finance research, this would still only represent 8 per cent of total corporate research support.

The actual magnitude of the spending involved often seems lost in the U.S.-Japan debate, and the news media's response to the center's report, conveyed in hundreds of American newspapers, is no exception. The Associated Press story stemming from the center's press conference on the report highlighted the case of Harvard University. In the past few years it received $93-million in Japanese corporate contributions, the bulk of which was an $85-million grant from the Shiseido Corporation that is to be distributed over 10 years to the university and Massachusetts General Hospital for the construction of a new cutaneous-biology research center. The majority of the remainder came from such companies as Sumitomo Bank Limited and Toyota. The center's news release noted that "the institution [Harvard] received $93-million . . . mainly from Shiseido, Toyota, Sumitomo, Nomura Securities, Todai Corporation, and the Hitachi Foundation." The release did not note that the only contribution by the Hitachi Foundation to Harvard was $60,673 to help support a computer "hot line" to assist new teachers in cop-

LETTERS

Non-Profits Can Get Value From Phone Deals

TO THE EDITOR:

"Charities Hanging Up on Phone Deals" by Vince Stehle (March 10) failed to address the important fund-raising service that "switchless resellers" or "aggregators" are providing non-profit organizations and charities in the long-distance telephone field.

Unfortunately, most of the article was a negative slam-dunk, putting down these companies without giving them an opportunity to respond to its erroneous allegations.

From the article's misleading headline, the reporter's many misrepresentations, lack of thorough research, key omissions of fact, and insufficient communication with switchless resellers, *The Chronicle of Philanthropy* has done a grave injustice to a new industry and the non-profit organizations and charities which they serve.

This new industry is growing in partnership with non-profit organizations. Its survival will depend on the survival and growth of the non-profit sector.

Vince Stehle's gratuitous slap at this burgeoning industry does little to encourage non-profits to do anything other than ignore or mistrust it precisely at a time when non-profits are struggling to find new sources of revenue.

The article also does little to encourage other industries which may be considering co-marketing arrangements which could be beneficial to the non-profit sector.

The Chronicle of Philanthropy has been a leading voice on behalf of the non-profit sector seeking new trends and ideas in fund raising.

In that spirit, I hope *The Chronicle* will provide a more balanced and accurate assessment of the positive role that switchless resellers are providing non-profits and charities. A more thoroughly researched article on this subject would be greatly appreciated.

ALLEN EYTAN
President
Capitol Development Group, Ltd.
Baltimore

TO THE EDITOR:

As I was browsing through *The Chronicle*, the headline "Charities Hanging Up on Phone Deals" and the subhead